GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6065
ANSWERED ON:03.05.2013
EXCISE CONCESSION IN N.E.
Pala Shri Vincent H

Will the Minister of FINANCE be pleased to state:

(a) the details of concessions in excise duty and income tax extended to encourage industralisation and investment in the north eastern region of the country along with details of modification made from time to time;

(b) whether the Cabinet Committee on Economic Affairs has taken steps to ensure that genuine manufacturers in the region get benefited and if so, the details thereof and achievements made thereon during the last three years and the current year; and

(c) the details of suggestions/ representation/complaints received by the Government along with action taken thereon during the same period?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Under the North East Industrial Policy (NEIP), 1997, exemption from excise duty was provided to new industrial units and to existing units that undertake substantial expansion (i.e. expansion in installed capacity by not less than 25%). The exemption was available to units that were set up/ expanded after 24th December, 1997 but not later than 31st March, 2007. Under the North East Industrial and Investment Promotion Policy (NEIPP), 2007 the cut-off date was extended to 31stMarch, 2017. The exemption is available to eligible units for a period often years from the date of commencement of commercial production. The excise duty exemption operates through refund mechanism wherein the manufacturer first pays normal duty at the time of clearance of goods and subsequently claims refund.

The concessions in Income-tax extended to`units in the north-eastern region of the country along with details of modification made from time to time are as under :-

Section 10C as inserted by the Finance Act, 1999 provides that profits derived by an industrial undertaking from manufacture or production on or after 01.04.1998 in any Integrated Infrastructure Development Centre or Industrial Growth Centre located in North Eastern Region shall be exempted. The tax benefit under this section was available till A.Y. 2003-04.

Section 80-IC as inserted by the Finance Act, 2003, applicable from A.Y. 2004-05 provides for the following tax benefits:-

100% deduction in respect of the profits and gains for ten assessment years in respect of the profits derived by an undertaking from manufacture or production of any article or thing in any notified area or engaged in thrust activity in the North-Eastern States. This deduction is available to any undertaking or enterprise which begins manufacture or production or undertakes substantial expansion during the period beginning on 24.12.1997 to 31.03.2007.

In the case of Sikkim, 100% deduction in respect of the profits and gains for ten assessment years in respect of the profits derived by an undertaking from manufacture or production of any article or thing (other than those in negative list) in any notified area or engaged in thrust activity in the State. This deduction is available to any undertaking or enterprise which begins manufacture or production or undertakes substantial expansion during the period beginning on 23.12.2002 to 31.03.2007.

Section 80-IE introduced vide Finance Act, 2007, w.e.f. 01.04.2008 provides for 100 per cent deduction for ten assessment years in respect of the profits or gains derived by eligible undertakings from specified business set up in any of the North Eastern States including Sikkim. This deduction is available to an undertaking which during the period beginning on the 1st day of April, 2007 and ending on the 31st day of March, 2017 in any of the North Eastern States, begins - to manufacture or produce any eligible article or/thing; to undertake substantial expansion to manufacture or produce any eligible article or thing; to carry on any eligible business as defined in the said section.

(b) With the approval of Cabinet Committee on Economic Affairs (CCEA), certain modifications were carried out in the scheme in April, 2008, to prevent misuse. The exemption scheme originally envisaged the refund excise duty paid in cash by a manufacturer every month. In modified scheme, the amount of refund has been linked to the value addition achieved by the manufacturer. Procedural relaxations have been made in the refund scheme to facilitate quick disbursal of refunds.

(c) Suggestions were received for further modification in scheme, withdrawing changes effected in 2008, etc. In order to address the concerns of certain industries, among other measures, a higher percentage of value addition of 75% was prescribed.